



Value-Based Insurance Design Improving Care and Bending the Cost Curve

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**Improving Care and Bending the Cost Curve
Our Goal is to Improve Health, Not Save Money**

- **Cost growth remains the principle focus of health care reform discussions**
- **Despite unequivocal evidence of clinical benefit, substantial underutilization of high-value services persists across the spectrum of clinical care**
- **Thus, shift the focus from *how much* - to *how well* - we spend on health care to maximize the amount of health produced for the expenditure made (value)**



Improving Care and Bending the Cost Curve Interventions to Control Costs

- **Prior Authorization**
- **Disease Management**
- **Preventing Chronic Disease**
- **Information Technology**
- **Payment Reform**
 - **Bundled Payments, ACO, PCMH**
- **Make Beneficiaries Pay More**
 - **High Deductible Health Plans**



Improving Care and Bending the Cost Curve Importance of “Clinical Nuance” in Health Reform

- **The archaic “one-size-fits-all” approach and lack of “clinical nuance” in patient cost sharing fails to acknowledge the differences in clinical value among medical interventions**
- **Ideally, patient copayments would be used to discourage the use of low-value care**
- **Increased patient cost-sharing leads to decreases in non-essential and essential care which, in some cases, lead to greater overall costs**



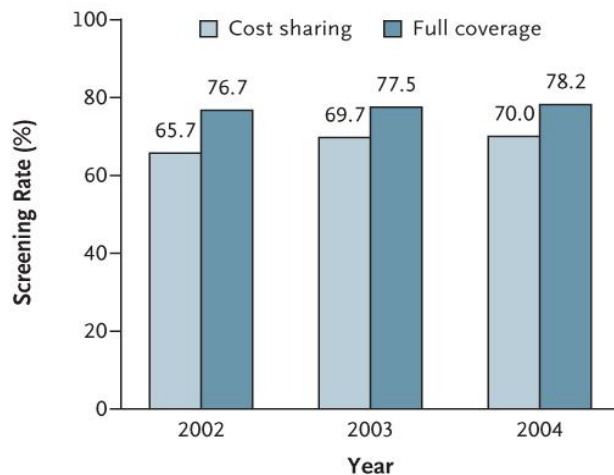
Value-Based Insurance Design Inspiration

“I can’t believe you had to spend a million dollars to show that if you make people pay more for something they will buy less of it.”

Barbara Fendrick (my mother)



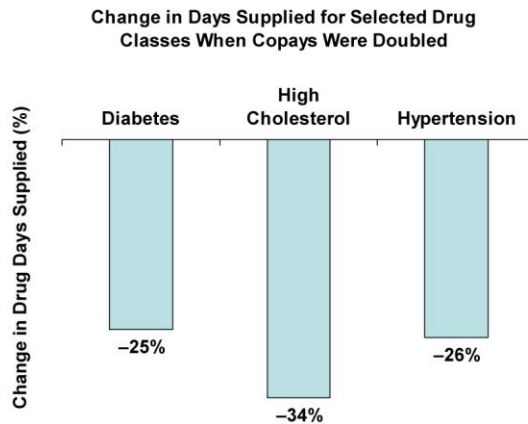
Cost-sharing Affects Adherence to Screening: Mammography Use in Medicare Beneficiaries



Trivedi. *NEJM*. 2008;358:375-383



High Copays Reduce Adherence to Appropriate Medication Use



ER = emergency room.

Goldman DP et al. *JAMA*. 2004;291:2344-2350.

- When copays were doubled, patients took less medication in important classes. These reductions in medication levels were profound
- Reductions in medications supplied were also noted for:
 - NSAIDs 45%
 - Antihistamines 44%
 - Antiulcerants 33%
 - Antiasthmatics 32%
 - Antidepressants 26%
- For patients taking medications for asthma, diabetes, and gastric disorders, there was a 17% increase in annual ER visits and a 10% increase in hospital stays

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Increased Ambulatory Copayments for the Elderly: Making Things Worse

- Copays increased:
 - from **\$7.38** to **\$14.38** for primary care
 - from **\$12.66** to **\$22.05** for specialty care
 - remained unchanged at **\$8.33** and **\$11.38** in controls

- In the year after increases:
 - **19.8 fewer** annual outpatient visits per 100 enrollees
 - **2.2 additional** hospital admissions per 100 enrollees
 - Effects worse in low income and patients with chronic illness

1. Trivedi A. *N Engl J Med*. 2010 Jan 28;362(4):320-8..



BUSINESS | OCTOBER 29, 2009

IBM to Drop Co-Pay for Primary-Care Visits

Article

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By WILLIAM M. BULKELEY

In an unusual bid to cut health-care costs, International Business Machines Corp. plans to stop requiring \$20 co-payments by employees when they visit primary-care physicians.

The company said it believed the move would save costs by encouraging people to go to primary-care doctors faster, in order to get earlier diagnoses that could save on expensive visits to specialists and emergency rooms.

IBM said that the action applies to the 80% of its workers who are enrolled in plans in which the company self-insures—that is, programs in which it pays the health-care benefits, not insurers. The new policy doesn't cover IBM employees in health-maintenance organizations.

One of the nation's largest employers with 115,000 U.S. workers, IBM spends about \$1.3 billion a year on U.S. health care. Its benefit practices are closely watched in the human-resources community, and its actions are sometimes trend-setters.

Using “Clinical Nuance” to Reallocate Spending Principles of Value-Based Insurance Design

- **Medical services differ in the benefit provided**
- **The clinical benefit derived from a specific service depends on the patient using it**
- **V-BID premise: the more clinically beneficial the service, the lower the patient's cost share and the higher the payment for a given service**
- **An opportunity exists for a cost-saving reallocation **within any health budget**, through increasing use of high-value interventions and reducing the use of interventions that offer little or no benefit**



ACA Sec. 2713c Interim Final Regulation – July 2010 Broad Definition of V-BID

“Value-based insurance designs include the provision of information and incentives for consumers that promote access to and use of higher value providers, treatments, and services.”



PPACA Sec. 2713: Selected Preventive Services be Provided without Patient Cost Sharing

- **Receiving an A or B rating from the United States Preventive Services Taskforce**
- **Immunizations recommended by the Advisory Committee on Immunization Practices**
- **Preventive care and screenings supported by the Health Resources Administration (HRSA) for infants, children and adolescents**
- **Additional preventive care and screenings recommended by HRSA for women**

Approximately 54 million Americans have received expanded coverage of some preventive services due to the Affordable Care Act



Value-Based Insurance Design “Clinically Nuanced, Fiscally Responsible”

- To date, most V-BID programs have focused on removing barriers to high-value services
 - As barriers are reduced, utilization increases
- V-BID programs that discourage use of low-value services are being implemented
 - Choosing Wisely
- V-BID programs have broad multi-stakeholder and bipartisan political support



Value-Based Insurance Design Implications Beyond Primary Prevention

- A substantial majority of private sector V-BID programs include reduced cost-sharing for evidence-based services for established diseases
 - Medications, eye exams for diabetes
 - Behavioral therapy, meds for depression
 - Long-acting inhalers, spirometers for asthma



Innovations in Value Based Insurance Design Align V-BID with Other Health Reform Initiatives

- **Wellness Programs**
- **Disease Management**
- **Comparative Effectiveness Research**
- **Health Information Technology**
 - As electronic medical records expand, the feasibility to target specific conditions/patients groups will increase
- **Payment Reform**
 - Consumer Directed “Low Deductible” Health Plan
 - Accountable Care Organizations
 - Patient-Centered Medical Home



Innovations in Value-Based Insurance Design Blue Shield of California – “Blue Groove”

- **Combines wellness programs, advanced member engagement, value-based insurance design, and high-performing providers**
- **Qualify for lower co-payments only if you have one or more conditions and use a high-value provider:**
 - End-stage renal disease
 - Congestive Heart failure
 - Coronary artery disease
 - Cancer
 - Diabetes
 - Hypertension
 - Osteoarthritis
- **Aligns clinical goals of supply-side (ACO) and demand-side (V-BID) initiatives**



Value-Based Insurance Design Potential Role in State Health Reform

- **State Employees Benefit Plans**
 - Connecticut
 - Oregon
- **State Exchanges**
 - Maryland
 - California
- **CO-OPs**
- **Medicaid**



Innovations in Value-Based Insurance Design Connecticut State Employees Health Enhancement Plan

- **Participating employees receive a reprieve from higher premiums if they commit to:**
 - Yearly physicals
 - Age-appropriate screenings/preventive care
 - Two free dental cleanings
- **Employees must participate in disease management programs (which include free office visits and lower drug co-pays) if they have one of five chronic conditions**
- **98% of employees actively moved into HEP over 1 week open enrollment**
- **Link to PCMH initiative in progress**



Innovations in Value-Based Insurance Design “Clinically Nuanced, Fiscally Responsible”

- The use of “clinically nuanced” incentives [and disincentives] to encourage [and discourage] patient and provider behavior to redistribute medical expenditures will produce more health at any level of health expenditure
- Consumer engagement initiatives must be aligned with ongoing payment reform and delivery system transformation
- Regulators should allow payers to adjust patient cost-sharing and payment based on clinical evidence

www.vbidcenter.org



A screenshot of the V-BID Center website. The header includes the University of Michigan logo and the text "University of Michigan Center for Value-Based Insurance Design". A search bar is on the right. Below the header is a navigation menu with links: About Us, Publications, Case Studies, Health Reform, News, Events, and Contact Us. The main content area features a large banner for "Restoring Health to the Health Care Cost Debate" with an image of the US Capitol. To the left, there's a "NEWS" section with two articles from September 15, 2011, about Kaiser Health News and Business Insurance. Below that is a "READ CENTER E-NEWSLETTERS" section with a "JOIN OUR EMAIL LIST" form. On the right, there's an "About V-BID" section with a "What is Value-Based Insurance Design?" text and a "Watch Video" button. At the bottom, there's a "Featured Content" section with two articles: "Aligning Incentives and Systems" and "Synergies at Work: Realizing the 'Full Value' of Health Investment".